

Message Text

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EB/IFD/OMA - MR. BALABANIS
----- 001828
R 310235Z MAY 75
FM SECSTATE WASHDC
TO AMEMBASSY JAKARTA

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E.O. 11652: N/A

TAGS: EFIN, ID

SUBJECT: SHORT-TERM PERTAMINA DEBT

REF: A) JAKARTA 6323 B) JAKARTA 4866

1. DURING PAST WEEK REPRESENTATIVE OF UNION PLANTERS
NATIONAL BANK IN MEMPHIS (MALCOLM MOSLEY), HAS BEEN
DESCRIBING HIS BANK'S RESTIVENESS OVER THREE PAST-DUE
ACCEPTANCES TOTALLING 720,844 DOLS TO BANKERS IN NEW YORK
(MARINE MIDLAND, KUHN LOEB, MORGAN GUARANTY), TO EA/IMS,
AND TO ADIWOSO AT INDONESIAN EMBASSY HERE. MEMPHIS BANK'S
CONCERN STEMS FROM 1) ITS DESIRE TO BLOT OUT THIS EXAMPLE
OF UNWISE OVERSEAS LENDING AT A TIME WHEN IT HAS OTHER
QUESTIONABLE LOANS TO CONTEND WITH IN TENNESSEE, 2) ITS
FEELING THAT IT HAS BEEN INEQUITABLY TREATED (OTHER
MEMBERS OF MARINE MIDLAND PARTICIPATION WITH PAST-DUE
ACCEPTANCES OF MORE RECENT MATURITIES HAVE, WILLY NILLY,
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ALREADY RECEIVED PAYMENT ON SOME OF THEM), AND 3) RESENT-

MENT AT BANK INDONESIA FOR NOT ACKNOWLEDGING COMMUNICATIONS FROM UNION PLANTERS. (EA/IMS SHOWN MAY 16 MOSLEY TELEX TO ZAHIRSJAH, GENERAL MANAGER, BI). MESSAGE MOSLEY LEFT WITH ADIWOSO WAS THAT UNION PLANTERS WOULD BE SATISFIED AT THIS STAGE WITH SIMPLE TELEX FROM BANK INDONESIA THAT THREE OUTSTANDING ACCEPTANCES WOULD BE PAID WITHIN A SPECIFIC

PERIOD OF TIME (PREFERABLY BY END OF JUNE).

2. STEIN AT KUHN LOEB REPORTS THAT FIVE OR SIX WEEKS AGO FRB BANK EXAMINERS IN NEW YORK SEEMED SYMPATHETIC TO GOI AND ITS BUREAUCRATIC PROBLEMS WITHIN MINISTRY TRADE. THEY REGARDED POSITIVELY GOI'S FORTHRIGHT STATEMENTS OF INTENTION TO ENSURE REPAYMENT OF PERTAMINA DEBTS. KUHN LOEB APPARENTLY HAS NO DESIRE TO "STIR FED UP" BY SEEKING MORE CURRENT READING OF FRB'S ATTITUDE.

3. APPROACH TO FRB BANK EXAMINATION OFFICE HERE DISCLOSED LITTLE. FRB HAD NO OPINION TO OFFER ON PERTAMINA PROBLEMS AND APPARENTLY PREFERENCES TO KEEP ITS QUESTIONS TO FIELD OFFICES TO MINIMUM. TREASURY'S CONTROLLER OF CURRENCY, HOWEVER, VERY APPRECIATIVE OF INFO IN REF B AND GRATIFIED THAT GOI WAS PLANNING TO STAND BEHIND PERTAMINA'S DEBTS.

4. AT ITS DISCRETION, EMBASSY MAY WISH TO CONTACT ZAHIRSJAH AND SUGGEST THAT HE AT LEAST RESPOND TO MOSLEY'S MAY 16 TELEX, INFORMING HIM OF PROBLEMS IN APPROVING ACCEPTANCES FOR PAYMENT AND PREFERABLY SETTING A DEADLINE FOR PAYMENT. INGERSOLL

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